

ASX ANNOUNCEMENT

11 May 2015

Letter to shareholders recommending acceptance of GRAM's increased takeover offer of \$1.85 per share

Attached is a letter that is being posted to shareholders.

For further information contact:

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PROJECT DEVELOPMENT
OF THE YEAR



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2011
LAO PDR LABOUR ORDER CLASS 1
BEST RURAL DEVELOPMENT



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ETHICAL INVESTOR



8 May 2015

Dear Shareholder,

**The Independent PanAust Directors unanimously recommend increased
GRAM takeover offer of \$1.85 per share**

Enclosed is a copy of PanAust's second supplementary Target's Statement which was lodged with ASX on Friday 8 May 2015.

A copy of the Bid Implementation Agreement can be found on the PanAust website (www.panaust.com.au) or the ASX website (www.asx.com.au).

Yours faithfully,



Mr Garry Hounsell
Chairman

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SECOND SUPPLEMENTARY TARGET'S STATEMENT

1 Introduction

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth). It is the second supplementary target's statement (**Second Supplementary Target's Statement**) issued by PanAust Limited (ACN 011 065 160) (**PanAust**) in relation to the off-market takeover bid made by Guangdong Rising H.K. (Holding) Limited (**GRHK**), a wholly-owned subsidiary of Guangdong Rising Assets Management Co., Ltd (together, for the purposes of this Second Supplementary Target's Statement, **GRAM**), for all the ordinary shares in PanAust.

This Second Supplementary Target's Statement supplements, and should be read together with, PanAust's target's statement dated 27 April 2015 (**Original Target's Statement**) and first supplementary target's statement dated 5 May 2015 (**First Supplementary Target's Statement**).

2 GRAM Offer update

Please see the attached ASX announcement which contains an update on the GRAM Offer.

3 Other notices

Unless the context otherwise requires, capitalised terms used in this Second Supplementary Target's Statement but not defined have the same meaning given to them in the Original Target's Statement. This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Original Target's Statement or the First Supplementary Target's Statement.

This Second Supplementary Target's Statement is dated 8 May 2015, which is the date it was lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

This Second Supplementary Target's Statement was approved by a resolution of the Independent PanAust Directors.

8 May 2015

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The Independent PanAust Directors unanimously recommend increased GRAM takeover offer of \$1.85 per share

Following discussions between PanAust and Guangdong Rising Assets Management (“GRAM”), GRAM has agreed to increase its all-cash offer price to \$1.85 per share (“Revised GRAM Offer”). The Revised GRAM Offer values PanAust’s issued shares at approximately A\$1.2 billion. After careful consideration, the Independent PanAust Directors unanimously recommend that PanAust shareholders accept the Revised GRAM Offer, in the absence of a superior proposal.

The Independent PanAust Directors intend to accept the Revised GRAM Offer in respect of all the PanAust shares they own or control, in the absence of a superior proposal.

Reasons for the recommendation

In forming their unanimous recommendation, the Independent PanAust Directors have considered a wide range of factors, including:

1. The Revised GRAM Offer represents an 8% premium to the initial GRAM Offer of \$1.71 per share and a 51% premium to the last closing price for PanAust shares prior to the initial GRAM Offer.
2. The Revised GRAM Offer price is within the fair value range considered by the Independent Expert.
3. The Revised GRAM Offer is currently the only offer that is available to shareholders, with no superior proposals emerging during the course of the takeover offer.
4. GRAM has now declared the Revised GRAM Offer to be best and final, subject to no competing proposal emerging. The effect of this is that unless a competing proposal emerges, GRAM is not able to increase the offer price.
5. The PanAust share price may fall to levels below the Revised GRAM Offer price, following the conclusion of the takeover offer.
6. GRAM currently owns a relevant interest in PanAust of 24.26%, which is a substantial shareholding. Following GRAM’s declaration that the Revised GRAM Offer is final, the Independent PanAust Directors consider there to be a high likelihood that GRAM will significantly increase its ownership of PanAust shares.

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PanAust Chairman, Mr Garry Hounsell, said *“The unanimous recommendation to accept GRAM’s Revised Offer has been made following careful consideration by the Board of all options to maximise value for PanAust shareholders.*

“GRAM’s Revised Offer enables our shareholders to realise a compelling premium for their shares and provides certain cash value. The PanAust Laos business continues to perform strongly and the Frieda River project is a substantial long term growth asset for the company. The Board has considered the long-term value potential of these assets and the risks associated with delivering this value and on balance has formed the view that the Revised GRAM Offer represents the best option for PanAust shareholders to realise a premium value at this time for their shares.

“GRAM has been a supportive shareholder since 2009 and it is encouraging that through the offer they have endorsed the company’s strategy as well as the management and employees who ultimately are responsible for making PanAust the high quality company that it is today. GRAM is well-placed to support the long-term strategy of the company, including the development of the Frieda River Project in PNG.”

Bid Implementation Agreement

PanAust and GRAM have entered into a bid implementation agreement. This agreement sets out the terms of the Revised GRAM Offer and a number of other customary requirements. A copy of the Bid Implementation Agreement can be found on the PanAust website (www.panaust.com.au) or the ASX website (www.asx.com.au).

How to accept the Revised GRAM Offer

To accept the Revised GRAM Offer, shareholders should carefully follow the instructions in Section 4 of Appendix 1 of GRAM’s Bidder’s Statement dated 7 April 2015. PanAust shareholders should note that GRAM’s offer is set to close at 7.00pm (Sydney time) on 15 May 2015 (unless extended). If GRAM’s voting power in PanAust increases to more than 50% within the last 7 days of the Offer Period, there will be an automatic extension of the Offer Period so that it ends 14 days after the date that GRAM’s voting power increases to more than 50%.

If you have already accepted the Offer, you need not take any further action and you will be entitled to the benefit of the improved consideration.

If you are in any doubt as to the action which you should take in relation to the Revised GRAM Offer, you should consult your legal, taxation or financial adviser.

Shareholder Information Line

A Shareholder Information Line has been established to address any specific queries in relation to the Revised Offer: **1800 990 363** (toll free within Australia) or **+61 1800 990 363** (callers outside Australia). Updates in relation to the Revised GRAM Offer will also be posted on PanAust’s website (www.panaust.com.au).

Advisers

PanAust is being advised by Rothschild (financial adviser) and Herbert Smith Freehills (legal adviser).

-ENDS-

For further information please contact

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